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THE LOCAL ECONOMY: Tourism numbers hold firm

Visitation increases slightly despite gaming downturn

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The number of people who visited Las Vegas in May held strong at 3.4 million, despite a 15 percent decline in the amount of money they lost gambling in Sin City casinos.

The disparity indicates people are still coming to Las Vegas; they're just spending less money after they arrive and they're going home sooner.

They're also packing more people into fewer cars and cutting short business trips to Las Vegas conventions, according to the latest visitation report from the Las Vegas Convention and Visitors Authority.

The report, released Friday, showed an increase of about 15,000 visitors compared to last May, a difference of less than 1 percent. It also showed a 6.4 percent decrease in car traffic into Las Vegas and a 4.7 percent drop in airline passengers landing at McCarran International Airport.

"Instead of staying for three days, they will stay for two days," said Alan Feldman, spokesman for MGM Mirage, the largest private employer in Nevada with 10 hotel-casinos on the Strip.

Feldman said the company is greasing the business pipeline with specials on luxuries like limousine transportation and golf at its fanciest resorts and gift cards for gasoline at down market properties.

The result is that hotel managers are keeping rooms full, but at a greater cost in discounts and extras.

"There are deals across the board. It just depends on what you are looking to do," he said.

Other companies are following suit.

A survey by Las Vegas Advisor says hotel rooms are at their lowest rates in five years. The site reported rooms at the swanky Wynn Las Vegas and Venetian resorts under \$200, nightly rates under \$100 at the Rio and Hard Rock Hotel and rates under \$20 at Palace Station, a value-oriented property near downtown.

Citywide, the visitors authority reported that room rates were down 5.5 percent in May to \$135 per night. It was the fifth consecutive month of declining rates.

It was a similar story for convention business.

The number of people attending conventions increased nearly 1 percent to about 509,000. But the amount they spent on food, rooms and other nongambling activity was down 2 percent to \$673 million.

The number of room nights used by convention guests declined 9 percent for the month.

For the year, Las Vegas visitation is keeping pace with last year at 16.3 million visitors through May.

Although Las Vegas resorts are still attracting guests, Wall Street isn't impressed. Shares in companies such as Las Vegas Sands Corp., MGM Mirage and Boyd Gaming Corp. are trading at a fraction of the price they were at in the fall.

"The market thinks things will get a lot worse," said Bill Lerner, an analyst for Deutsche Bank. "Some investors think some of these companies' equity may go to zero."

Lerner said he doesn't think the situation is that dire.

He pointed to an increase in the percentage of international visitors. Specifically, he said as many as 34 percent of guests in MGM Mirage's Bellagio in recent months have been from out of the country.

Still, there is concern there won't be enough business to justify roughly \$30 billion in new resort development under way on the Strip, Lerner said.

That's contributing to huge losses in stock value. MGM is down almost 73 percent this year, Las Vegas Sands down 67 percent and Boyd Gaming is down 73 percent.

"This is an extreme for some of these names," Lerner said.

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